

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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R 022240Z APR 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 4574

S E C R E T LIMA 2684

EXDIS

E.O. 11652: GDS

TAGS: PINR, PN, PQ, PE

SUBJECT: SNIE ON PANAMA CANAL NEGOTIATIONS

REF: STATE 71284

1. IN RESPONSE TO REFTEL, IT SHOULD BE NOTED AT THE OUTSET THAT THE PERUVIAN REVOLUTIONARY GOVERNMENT YIELDS TO NO OTHER LA REGIME IN ITS ESPOUSAL OF PANAMA'S OBJECTIVES AND POSITIONS IN CURRENT CANAL NEGOTIATIONS.

2. IF THE U.S. AND PANAMA SIGN A NEW TREATY AND BEGIN THE RATIFICATION PROCESS, THE VELASCO GOVERNMENT WILL NO DOUBT HAIL SIGNATURE AS ANOTHER THIRD WORLD VICTORY OVER U.S. "COLONIALISM." GOP OFFICIALS AND THE PRESS WILL CALL FOR EARLY U.S. RATIFICATION. POSSIBLY THROUGH PRIOR ARRANGEMENT, THE GOP COULD EVEN GET OUT IN FRONT OF THE PANAMANIAN GOVERNMENT IN URGING FINAL U.S. AGREEMENT. THE TONE OF THE PERUVIAN MEDIA WILL BECOME MORE STRIDENT THE LONGER THE U.S. RATIFICATION PROCESS TAKES, AND THE GOP WILL USE ALL AVAILABLE FORA SUCH AS THE MAY OAS MEETING AND NON-ALIGNED CONFERENCES (ONE IS SCHEDULED HERE FOR AUGUST) TO PRESS THE U.S. ON THIS ISSUE.

3. IF THE U.S. SENATE REFUSED TO CONSENT TO RATIFICATION OF A TREATY ONCE SIGNED, THE VELASCO GOVERNMENT WOULD PREDICTABLY BE IN THE FOREFRONT IN CRITICIZING THE U.S. THE GOP WOULD LIKELY GIVE FREE REIN TO LEFTIST ELEMENTS IN THE PRESS. WE WOULD EXPECT THE CLIMATE IN WHICH U.S.-PERUVIAN BILATERAL RELATIONS ARE CON-

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DUCTED TO BE WORSENERED AND ANTI-AMERICANISM TO BE INCREASED. PERU

WOULD TAKE EVERY OPPORTUNITY IN INTERNATIONAL GROUPINGS TO CRITICIZE THE U.S. REFUSAL.

4. WE DO NOT RULE OUT THE POSSIBILITY OF GOP ACQUIESCENCE IN ANTI-U.S. DEMONSTRATIONS. IF THERE WERE DEMONSTRATIONS THAT GOT OUT OF HAND IN PANAMA AND LATIN BLOOD WERE SPILLED THERE, PRESURAGE FOR DEMONSTRATIONS HERE WOULD INCREASE. HOWEVER, THE GOP IS OPPOSED GENERALLY TO POLITICAL DEMONSTRATIONS BECAUSE ANTI-REGIME ELEMENTS CAN TAKE ADVANTAGE OF THEM. THIS POLICY WOULD ARGUE AGAINST THE GOP ALLOWING ANTI-U.S. DEMONSTRATIONS DESPITE THE SEEMING ATTRACTIVENESS OF THE ISSUE AND STRONG LEFTIST PRESSURES TO TAKE TO THE STREETS.

5. THE PERUVIAN GOVERNMENT'S STANCE IN THE THIRD CONTINGENCY -- THAT TALKS BREAK DOWN -- WOULD BE SIMILAR TO THE CASE IN WHICH THE SENATE REFUSED TO APPROVE A TREATY. THE GOP'S REACTION COULD BE EVEN MORE STRONGLY NEGATIVE IN TERMS OF ITS OWN RHETORIC AND THE RHETORIC IT COUNTENANCED IN THE PERUVIAN MEDIA.

6. DESPITE ALL THE FOREGOING LIKELY ATMOSPHERICS, THE PERUVIAN GOVERNMENT WOULD PROBABLY MOVE CAUTIONSLY TO TAKE ACTION AGAINST U.S. ECONOMIC INTERESTS IN THIS COUNTRY. EVEN THOUGH THE GOP MIGHT PREFER TO GET ALONG WITHOUT U.S. DEVELOPMENT AID, LOANS AND PRIVATE INVESTMENT, IT IS PRAGMATIC ENOUGH TO KNOW THAT IT CANNOT PRESENTLY DO SO AND MEET ITS OWN PERCEIVED NEEDS. GOP PRUDENCE IN THIS REGARD MIGHT BE HEIGHTENED IF GENERAL MORALES BERMUDEZ MOVES UP TO THE PERUVIAN PRESIDENCY OR ASSUMES A STRONGER POLICY-DETERMINING ROLE IN HIS PRESENT POSITION OF PRIME MINISTER. HOWEVER, WE SHOULD NOT OVERESTIMATE MORALES BERMUDEZ' ABILITY (OR NECESSARILY HIS DESIRE) TO MODERATE GOP POLICIES AND ESPECIALLY ITS STRONG SUPPORT OF PANAMA.

7. FURTHER AS TO MORE BASIC REACTIONS AND IMPACT HERE, IF IT IS NOT POSSIBLE TO NEGOTIATE AN ACCEPTABLE TREATY THEN A STRONG, FACTUAL U.S. STATEMENT OF DETERMINATION TO PROTECT ITS OWN INTERESTS, AND NOT TO ABANDON OR APOLOGIZE FOR THEM FOR THE SAKE OF STILLING LATIN SHRILLNESS, WILL MAKE AN IMPRESSION ON MANY REALISTS IN PERU. THIS IMPRESSION COULD HAVE BENEFICIAL EFFECTS ON INFLATED EXPECTATIONS IN AREAS OF BILATERAL AND MULTILATERAL CONTENTION HERE.

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PAGE 03 LIMA 02684 031544Z

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTELLIGENCE ASSESSMENTS, NIE, INTERNATIONAL CANALS, NEGOTIATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA02684
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750116-0471
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750490/aaaaddwo.tel
Line Count: 108
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 75 STATE 71284
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 11 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 SEP 2003 by CunninFX>; APPROVED <03 NOV 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SNIE ON PANAMA CANAL NEGOTIATIONS
TAGS: PINR, PN, PQ, PE, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006